An Agenda for a Better New York

Improving New York State's Utilization of its TANF Block Grant and Related "Maintenance of Effort" Resources

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Executive Summary

Over the last five years, the interaction of two major developments – dramatic reductions in the number of needy families receiving governmental cash assistance and major changes in the way that the federal government shares in the costs incurred by the states in providing such assistance and related services – have given the states an unprecedented level of resources that can be used with an unprecedented degree of flexibility in meeting the needs of families that continue to receive cash assistance and families that need additional supports to successfully remain working.

In New York State, the number of people receiving family assistance has declined by about a half million, or almost 40 percent, from its January 1995 level of 1.2 million but since December 1996 New York has received a fixed amount of money from the federal government ($2.44 billion per year) for "temporary assistance to needy families."

This combination of fixed funding and falling caseloads has resulted in the so-called "welfare windfall." In its simplest formulation, this windfall is the difference between (a) the $2.44 billion in federal aid that New York receives in a particular federal fiscal year under the TANF Block Grant and (b) the amount that it would have received during that fiscal year if the former funding formulas for AFDC and related programs had remained in place. This is approximately $1 billion dollars in the current federal fiscal year.

New York can then either use these "additional" resources to invest in programs and services that assist needy families in becoming and remaining self sufficient or, subject to some restrictions imposed by federal guidelines, use those resources for certain existing programs of assistance to needy families, thus providing fiscal relief to the state by allowing it to reduce the amount of General Fund resources necessary to continue those programs.

In 1999 the federal government issued final regulations implementing the 1996 federal welfare reform act which made it significantly easier for states to use both TANF funds and the funds it is required to continue to spend under the 1996 federal law to help low income working families. Many states have taken advantage of this opportunity and are using TANF for a wide range of benefits and services, such as transportation, child care, housing assistance, substance abuse treatment and domestic violence services. Unfortunately, New York has used this so-called "welfare windfall" to provide fiscal relief — substituting federal funds for state and local funds without creating or expanding programs for needy families.

The portion of the state's TANF Block Grant going to fiscal relief is increasing. The 2000-2001 Executive Budget projects the fiscal relief of $591 million, up from $403 million in 1999-2000 and more than double the $233 million in 1998-1999. An example of how the state is using TANF funds for fiscal relief is the decision to use TANF funds to pay for the refundable portion of the state's Earned

Income Tax Credit for low-income families. The allocation of TANF funds for this purpose has grown from $49 million in state fiscal year 1999-2000 to a proposed $174 million in state fiscal year 2000-2001 and it is projected to grow to $317 million in 2002-2003. This is a program that was funded in the past from outside the public assistance revenue streams which will now be fully funded from the TANF Block Grant.

The extent to which New York uses its "welfare windfall" to provide fiscal relief to the state and local treasuries, the funds left to support new and innovative approaches to helping low-income families are extremely limited. Despite the continuing decline in public assistance caseloads, the 2000-2001 Executive Budget increases spending for these "other initiatives" by a mere $2 million from last year.

The current TANF surpluses provide New York State with a once-in-a-lifetime opportunity to fight poverty and lift poor families towards independence and self-support. This includes liberalizing the earned income disregard, providing a long overdue grant increase as well as initiatives that provide innovative and broad-ranging efforts to reach hard-to-serve parents and children, including those without any history of paid work experience and those who are struggling with chemical dependency, mental illness, and histories of incarceration, domestic violence, illiteracy and other barriers to economic success. New York is more likely to continue to meet work participation rates if it invests in activities such as child care, increased earned income disregards and job training that have proven successful in helping people to move from welfare to work.

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Over the last five years, the interaction of two major developments — dramatic reductions in the number of needy families receiving governmental cash assistance and major changes in the way that the federal government shares in the costs incurred by the states in providing such assistance and related services — have given the states an unprecedented level of resources that can be used with an unprecedented degree of flexibility in meeting the needs of families that continue to receive cash assistance and families that need additional supports to successfully remain working. To explain this situation and the options that it makes available to New York State, this report attempts to:

- explain those two developments and their interaction, both generically and as they affect New York State,

- review, to the extent possible using the data available from the federal and state governments, how New York State has utilized the resources and flexibility made available to it during the first three years of federal welfare reform,

- present short summaries of each of the many programs, services and other purposes to which federal, state and local family assistance resources have been devoted during the past three years and those new programs proposed by the Governor in the 2000-2001 Executive Budget,[1]

- identify and discuss ways, based on the experience to date in New York State and in other states with effective approaches to welfare reform, in which New York State can utilize the resources and flexibility available to it under the federal welfare reform law to (1) minimize the

[1] Lists of the programs and services receiving funding under welfare reform in New York State have been made available by the Division of the Budget and the legislative fiscal committees, and some of the administering agencies have publications describing some or all of the programs for which they are responsible but no document exists describing all of these programs. To understand what is going on in the face of this void, this report's primary author, Carolyn Boldiston, undertook the painstaking process of collecting and summarizing information on these programs. With a small number of exceptions, she was successful in this effort and the results of her work are presented in this report so that other analysts can build on this work rather than having to repeat it. We are greatly appreciative of the large number of government officials who took the time to answer Carolyn's questions and to provide her with supplementary information. Any comments or suggestions that would allow us to improve or expand this or other sections of this report would be greatly appreciated.

number of New Yorkers who are affected by the five-year time limits established by the federal welfare law, (2) make the greatest possible contribution to the effort to assist people in moving from welfare to long-term self-sufficiency, (3) help meet the real needs of families that continue to require cash assistance, for either temporary or prolonged periods, through no fault of their own, and (4) establish a track record that will support, rather than undercut, efforts to ensure that the Congress, in the short run and in the reauthorization of the federal welfare reform law[2] in 2002, does not renege on its 1996 commitment to provide the states with the resources and flexibility necessary to make welfare reform work effectively in both good times and bad, and identify and discuss ways in which the state agencies responsible for the implementation of welfare reform in New York State can build on the reporting requirements established by the federal government to provide state legislators and the public with useful and timely information on the utilization of the federal, state and local resources pursuant to the federal welfare reform law.

Welfare caseloads in New York have declined by almost 40 percent over the last five years, dramatically reducing expenditures on cash assistance for needy families.

Over the last five years, welfare caseloads have fallen dramatically in New York State and in the nation as a whole.

- Nationally, from January 1995 to June 1999, the latest month for which such data has been reported by the U. S. Department of Health and Human Services, the number of people receiving federal cash assistance to families (formerly Aid to Families with Dependent Children) declined by more than 50 percent from 13.9 million to 6.9 million.

- In New York State, over this same period, the number of people receiving Family Assistance declined by about a half million, or almost 40 percent, from its January 1995 level of 1.2 million.

The result of these caseload declines has been a dramatic reduction in federal, state and local spending on cash assistance for needy families. Total federal, state and local expenditures for all public assistance in New York, including the state's Safety Net Assistance Program (formerly Home Relief) as well as Family Assistance, according to reports from the Office of Temporary and Disability Assistance (and its predecessor, the Department of Social Services) declined from $4.2 billion in 1994 to $2.65 billion in 1998, a reduction of $1.56 billion or 37 percent. While the federal expenditures fell by $460 million, state and local expenditures fell by $553 million and $545 million respectively over this period. The state-local portion of these costs declined even faster than the federal portion because there have been greater percentage reductions in Safety Net (Home Relief) caseloads (which do not receive any federal assistance) than there have been in Family Assistance caseloads.

[2] Public Law 105-33, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Persons Receiving Federally-funded Cash Assistance (AFDC/TANF)

			Jan-95 to Jun-99	
STATE	Jan-95	Jun-99	Change	Pct Chng
Wyoming	15,434	1,621	-13,813	-89.5%
Wisconsin	214,404	27,140	-187,264	-87.3%
Idaho	24,050	4,365	-19,685	-81.9%
Mississippi	146,319	33,853	-112,466	-76.9%
Florida	**657,313**	**173,341**	**-483,972**	**-73.6%**
West Virginia	107,668	31,032	-76,636	-71.2%
South Carolina	133,567	40,293	-93,274	-69.8%
Colorado	110,742	35,469	-75,273	-68.0%
Georgia	388,913	130,210	-258,703	-66.5%
Alabama	121,837	45,472	-76,365	-62.7%
Texas	**765,460**	**288,525**	**-476,935**	**-62.3%**
Louisiana	258,180	100,577	-157,603	-61.0%
Maryland	227,887	89,003	-138,884	-60.9%
North Carolina	317,836	124,432	-193,404	-60.9%
Kansas	81,504	32,532	-48,972	-60.1%
Michigan	612,224	244,621	-367,603	-60.0%
Oklahoma	127,336	50,910	-76,426	-60.0%
Montana	34,313	14,079	-20,234	-59.0%
Ohio	629,719	258,773	-370,946	-58.9%
Oregon	107,610	44,565	-63,045	-58.6%
South Dakota	17,652	7,625	-10,027	-56.8%
Massachusetts	286,175	123,933	-162,242	-56.7%
Nevada	41,846	18,308	-23,538	-56.2%
Virginia	189,493	83,733	-105,760	-55.8%
Arkansas	65,325	29,350	-35,975	-55.1%
Arizona	195,082	87,894	-107,188	-54.9%
Kentucky	193,722	93,444	-100,278	-51.8%
Illinois	710,032	344,320	-365,712	-51.5%
Missouri	259,595	125,981	-133,614	-51.5%
Connecticut	170,719	83,458	-87,261	-51.1%
New Jersey	321,151	159,721	-161,430	-50.3%
Pennsylvania	611,215	304,451	-306,764	-50.2%
Tennessee	281,982	147,137	-134,845	-47.8%
New Hampshire	28,671	15,416	-13,255	-46.2%
North Dakota	14,920	8,227	-6,693	-44.9%
Indiana	197,225	108,986	-88,239	-44.7%
Iowa	103,108	57,356	-45,752	-44.4%
Washington	290,940	164,323	-126,617	-43.5%
Maine	60,973	35,313	-25,660	-42.1%
Delaware	26,314	15,599	-10,715	-40.7%
Utah	47,472	28,909	-18,563	-39.1%
New York	**1,266,350**	**795,030**	**-471,320**	**-37.2%**
Vermont	27,716	17,585	-10,131	-36.6%
California	**2,692,202**	**1,735,103**	**-957,099**	**-35.6%**
Hawaii	65,207	44,229	-20,978	-32.2%
Alaska	37,264	25,393	-11,871	-31.9%
New Mexico	105,114	77,896	-27,218	-25.9%
Minnesota	180,490	135,202	-45,288	-25.1%
Nebraska	42,038	32,228	-9,810	-23.3%
Rhode Island	62,407	49,897	-12,510	-20.0%
U.S. Total	**13,930,953**	**6,889,315**	**-7,041,638**	**-50.5%**
50-State Total	**13,674,716**	**6,726,860**	**-6,947,856**	**-50.8%**

* The U. S. Total includes the 50 states plus the District of Columbia, Guam, Puerto Rico and the Virgin Islands.

Source: United States Department of Health and Human Services: Administration for Children and Families

Public Assistance Caseloads and Expenditures in New York State, 1994, 1996 and 1998

Year	Program	Cases	Recipients	Children	Adults	Expenditures
1994	AFDC	459,157	1,264,071	817,600	446,471	$2,914,185,149
	Home Relief	316,872	386,713	50,341	336,372	$1,295,264,051
	Total	776,029	1,650,784	867,941	782,843	$4,209,449,200
	Federal					$1,464,907,086
	State					$1,382,504,219
	Local					$1,362,037,895
1996	AFDC	422,557	1,157,504	755,648	401,856	$2,613,810,794
	Home Relief	221,497	272,426	36,514	235,912	$858,818,726
	Total	644,054	1,429,930	792,162	637,768	$3,472,629,520
	Federal					$1,314,968,568
	State					$1,078,450,786
	Local					$1,079,210,166
1998	Family Assistance	323,723	883,469	593,381	290,088	$2,006,284,595
	Safety Net	154,660	166,326	4,599	161,727	$585,657,860
	Predetermination	9,568	26,340	15,036	11,304	$59,211,824
	Total	487,951	1,076,135	613,016	463,119	$2,651,154,279
	Federal					$1,004,925,787
	State					$829,252,291
	Local					$816,976,201
1994 to 1998	AFDC/Family Ass't.	(135,434)	(380,602)	(224,219)	(156,383)	($907,900,554)
	Home Relief/ Safety Net	(162,212)	(220,387)	(45,742)	(174,645)	($709,606,191)
	Total	(288,078)	(574,649)	(254,925)	(319,724)	($1,558,294,921)
	Federal					($459,981,299)
	State					($553,251,928)
	Local					($545,061,694)

Source: New York State Department of Social Services, Social Statistics, December issues: 1994,1996 and 1998; Statistical Supplement to the Annual Report, 1994; 1996 funding source data provided by Office of Temporary and Disability Assistance; 1998 funding source data estimated by Fiscal Policy Institute.

During the 1994-1995 state fiscal year, according to New York State financial reports, the state government spent $2,335 million on all income maintenance programs while four years later total income maintenance expenditures were only $1,725 million. Income maintenance expenditures include emergency assistance, employment programs as well as cash-based public assistance for individuals, families with children and the elderly. While expenditures for cash assistance for the elderly grew moderately over this period, expenditures for cash assistance for families and non-elderly individuals fell sharply. General fund disbursements for family assistance fell from $876 million in 1994-1995 to 522 million in 1998-1999, a reduction of $354 million or 40 percent.

General Fund Local Assistance Disbursements for Income Maintenance

(Amounts in millions, by program)

	1995	1996	1997	1998	1999
AFDC / Family Assistance	$876.108	$826.334	$705.511	$572.392	$521.904
Home Relief / Safety Net Assistance	$675.795	$602.262	$508.181	$410.567	$362.800
Supplemental Security Income	$537.913	$558.543	$589.128	$565.574	$590.495
Emergency Assistance to Families	$53.222	$99.317	$68.762	$73.496	$18.359
Emergency Assistance to Adults	$5.034	$4.051	$3.728	$3.131	$3.832
Comprehensive Employment Project / Job Placement and Retention Initiative	$2.560	$3.857	$1.301	$2.869	$0.055
Job Opportunities and Basic Skills (JOBS)	$33.288	$16.095	$18.638	$25.427	$30.393
Legal Services for the Disabled	$6.353	$5.517	$4.845	$4.938	$5.668
Income Maintenance Administration	$144.637	$160.519	$143.164	$249.756	$191.329
Income Maintenance Total	$2,334.902	$2,276.468	$2,043.260	$1,908.148	$1,724.836

The implications of caseload reductions for federal aid to New York State are substantially different under the 1996 federal welfare reform law than under prior law.

Federal expenditures for cash assistance to needy families in New York State declined by about $460 million between 1994 and 1998. Under the system of federal financial assistance that existed prior to the enactment of the 1996 federal welfare reform law, these savings would have accrued to the federal government. Under the new system of federal financial participation established by the 1996 law, there is no reduction in federal aid to the state. Instead, at least through and including the federal fiscal year that ends on September 30, 2002 (FFY 2002), New York is scheduled to receive the same amount of money from the federal government for family assistance whether its welfare caseloads and the related costs go up or down.

New York and other states now receive federal aid for their efforts to assist needy families in the form of a block grant known as the Temporary Assistance to Needy Families, or TANF Block Grant. The 1996 law authorized each state to receive a fixed-amount block grant for each of the six federal fiscal years from FFY 1997 through FFY 2002. Under the new system, each state's award (except for some relatively small bonus payments that are authorized by the 1996 law) is equal to the greatest of:

1) the amount of federal aid that the state received for AFDC and related federal programs during the federal fiscal year that ended in 1994; or,
2) the amount of federal aid that it received for these purposes in the federal fiscal year that ended in 1995; or,
3) the average of what it received for these programs during the three federal fiscal years ending in 1992 through 1994, whichever is greatest.

New York State's annual block grant award is set at $2,442,930,000, on the basis of the federal aid that it received in FFY 1995.[3]

This block grant approach was a radical departure from the Aid to Families with Dependent Children (AFDC) program that TANF replaced. Under AFDC, each state was reimbursed for between 50 and 83 percent of the actual expenditures that it incurred under its state AFDC plan as filed with and approved by the federal Department of Health and Human Services. Each state's actual sharing percentage was inversely related to its per capita income, with New York and the other high income states receiving the minimum 50 percent reimbursement. Under the old program, when caseloads went up federal assistance increased and when caseloads fell federal assistance went down.

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[3] Through the efforts of the NYS Division of the Budget in precisely verifying all relevant federal aid claims for that base period, New York's TANF Block Grant was increased to this level from the amount ($2.36 billion) originally set by the U. S. Department of Health and Human Services. Over the six-year period for which the TANF Block Grant has been authorized, this amounts to a total increase in funding of $480 million.

New York's "Welfare Windfall" is almost one billion dollars per year.

This combination of fixed funding and falling caseloads has resulted in the so-called "welfare windfall." In its simplest formulation, this windfall is the difference between (a) the $2.44 billion in federal aid that New York receives in a particular federal fiscal year under the TANF Block Grant and (b) the amount that it would have received during that fiscal year if the former funding formulas for AFDC and related programs had remained in place.

We can make a very rough estimate of this "windfall" by assuming that federal reimbursements under the old law would have declined in tandem with the AFDC caseload. Given the almost 40 percent reduction that has occurred in AFDC caseloads since 1995, this methodology would indicate that the state's so-called windfall during the current federal fiscal year would be almost $1 billion.

Regardless of the exact magnitude of the "welfare windfall," the falling caseloads and fixed TANF grant have created a unique opportunity for New York and other states to address the needs and concerns of low-income families. There are basically three options facing each state in determining how to use this "welfare windfall." First, it can save these funds to cover the increased expenditures that it would face if and when the economy declines and welfare caseloads rise. Second, it can use these funds, to the extent allowable under the federal law, to replace existing state and local funding for low-income families thereby providing fiscal relief for state and local taxpayers. Third, it can invest these funds in providing enhanced programs, services and support for low-income families. New York has used its "extra" TANF money to pursue all three of these options.

Estimation of the Welfare "Windfall"

Cash-based Family Assistance Recipients	
AFDC Recipients: January 1995	1,266,350
Family Assistance Recipients: June 1999	795,030
Percent Change	37.22%
Federal Funds	
Federal AFDC Support: 1995 (TANF Block Grant)	$2,442,930,000
Federal Support if Federal Grant were Reduced Proportionately with Caseload Reduction	$1,533,701,297
"Welfare Windfall"	$909,228,703

As of the end of the last federal fiscal year (September 30, 1999) New York had accumulated $1.1 billion in unspent funds in its TANF account in the federal treasury.

Under the welfare law, when a state does not spend all of its federal TANF funds in a given year, unspent funds can be accessed by the state in future years. As of September 30, 1999, the end of the federal fiscal year 1999, New York had $1,122.9 million in unobligated or unliquidated funds in its TANF account in the federal treasury. This represents 16 percent of the total TANF funds awarded to New York State during the first three years of the new block grant system. New York had $752.1 million in unobligated TANF Funds and $370.8 million in unliquidated obligations.

Unliquidated obligations are normally amounts a state has committed to spend — through contracts that have been established or goods and services that have been received — but has not yet paid out. To derive an estimate of each state's TANF balances, the two categories are added together since it was determined that many states were classifying as "unliquidated" funds that under conventional accounting practices would be considered "unobligated."

These figures are from the ACF-196 forms that each state is required to submit quarterly to the Administration for Children and Families (ACF) within the U.S. Department of Health and Human Services. The ACF-196 Financial Reports set out expenditures in several spending categories along with the amounts that the state has transferred to the Child Care Development Fund (CCDF) block grant and the Title XX Social Services Block Grant (SSBG).

Expenditure information on each annual TANF award is accumulated by federal fiscal year quarters. Given that the federal fiscal year runs from October 1 through September 30 and welfare reform legislation was enacted in August 1996, the first year of TANF awards to states was federal fiscal year (FFY) 1997 which began October 1, 1996. Since New York's TANF State Plan became effective on December 2, 1996 and was acknowledged as complete by the federal Department of Health and Human Services on December 13, 1996, its TANF award for FFY 1997 reflects an amount proportionate to the amount of the fiscal year that remained — $1.98 billion — or 81 percent of the total annual grant. TANF funds may be rolled over to future years and New York has spent annual TANF grants each year following the year of the award.

- New York transferred or spent almost $1.9 billion of its TANF grants during FFY 1997, under $1.84 billion in FFY 1998 and just over a total $2 billion in FFY 1999.

- Not including transfers, expenditures were approximately $1.73 billion, $1.56 billion and $1.5 billion respectively. This decrease is not surprising given that the primary TANF expenditure, "Cash and Work Based Assistance," declined also during this time.

- New York's recorded transfers to the Social Services Block Grant during the first three years of the TANF program - $168.4 million in 1997-1998, $221 million in 1998-1999 and $244 million in 1999-2000 - correspond closely to the TANF surplus amounts adopted for transfer to this fund in the last three state budgets - $168 million in 1997-1998, $215 million in 1998-1999 and $241 million in 1999-2000.

- Even though federal records indicate that there have been no TANF expenditures on child care during the first three years of the program, New York transferred almost $325 million to the Child Care and Development Fund during this time. New York made no such transfers during FFY 1997 but in FFY 1998, a modest transfer from the 1998 TANF grant was made. In FFY 1999, total transfers from the three annual TANF awards totaled $269.6 million.[4]

- Expenditures on cash and work based assistance have gone down since FFY 1997. These consisted of more than $1.3 billion in the first year of the TANF program, then decreased to $1.06 billion in FFY 1998 and totaled just over $954 million in FFY 1999. Cash and work based assistance includes cash assistance and pay earned by TANF recipients for community service jobs or subsidized employment.

- Expenditures on work activities consisted of almost $58 million in FFY 1997 and almost doubled to more than $102 million in 1998 and more than $107 million in 1999.

- Administration expenses have decreased modestly from almost $230 million in federal fiscal year 1997 to $221 million in FFY 1999. In 1997, this item represented 13.3 percent of total TANF expenditures (not including transfers) for the year; in FFY 1999, it was 14.5 percent of the same figure. Both proportions are under 15 percent, the federal limit on the amount that can be spent for administration by states out of their total TANF grant.
- The level of TANF expenditures for "systems" was just over $5 million in federal fiscal year 1997; this increased to $6.6 million in 1998 and $10.6 million in 1999. This latter figure corresponds to the TANF surplus amount adopted in the state budget in 1998-1999 for use on systems although there was also $50 million adopted for this purpose in the 1997-1998 state budget.

- Other Expenditures with federal TANF funds have almost doubled from $110 million in FFY 1997 to just over $201 million in FFY 1999. This money is spent on such items as fraud control programs, one-time assistance to families to divert them from relying on welfare, and

[4] Overall, child care assistance, excluding the child care reserve fund, increased from $66.6 million in the adopted budget for state fiscal year 1997-1998 to $230 million in 1999-2000. Unlike the Title XX transfers, the CCDF transfer amounts do not correspond closely to TANF Block Grant allocations for child care assistance in the last three state budgets. Given the different fiscal year calendars for the federal and state governments, however, transfers could be made during FFY 2000 (which started on October 1, 1999) which would take place during state fiscal year 1999-2000.

domestic violence and child welfare services. This corresponds generally to the increase in allocations for similar services with TANF funds over the last three years of the state budget.

New York TANF Expenditures & Transfers by Federal Fiscal Year
(Amounts in millions)

	FFY 1997 12 months ending September 30, 1997	FFY 1998 12 months ending September 30, 1998	FFY 1999 12 months ending September 30, 1999	Total
Total Expenditures and Transfers	$1,898.5	$1,837.5	$2,009.2	$5,745.2
Total Expenditures	$1,730.1	$1,561.5	$1,495.6	$4,787.2
Cash and Work Based Assistance	$1,327.4	$1,063.0	$954.0	$3,344.4
Work Activities	$57.9	$102.7	$107.7	$268.3
Child Care	$0.0	$0.0	$0.0	$0.0
Administration	$229.6	$228.4	$221.4	$679.4
Systems	$5.2	$6.6	$10.6	$22.4
Transitional Services			$0.4	$0.4
Other Expenditures	$110.0	$160.8	$201.5	$472.3
Transfers to Child Care Block Grant	$0.0	$55.0	$269.6	$324.6
Transfers to Title XX Block Grant	$168.4	$221.0	$244.0	$633.4
Unliquidated Obligations after Federal Fiscal Year	$0.0	$0.0	$370.8	$370.8
Unobligated Balance after Federal Fiscal Year	$83.8	$605.9	$752.0	$752.0
Total Unobligated and Unliquidated	$83.8	$605.9	$1,122.8	$1,122.8

Under the TANF "Maintenance of Effort" requirement, New York must spend at least 75 percent of what it spent on needy families in the federal fiscal year that ended in 1995.

The framers of the 1996 federal welfare law were particularly concerned that states might take advantage of the new flexibility and declining caseloads to dramatically decrease state spending in support of low-income families and children. In order to guard against this possibility, the law restricted the use of the federal block grant funds to specific activities and established "maintenance of effort" (MOE) requirements. The TANF MOE requirement is a requirement that a state must spend at least a specified amount of state funds for benefits and services for members of needy families each year. The specified amount is at least 80 percent (or 75 percent, if the state meets the TANF overall and two-parent work participation rate requirements) of a historic state expenditure level of "qualified state expenditures," i.e., certain allowable benefits and services for members of needy families. A broad, but not unlimited, array of benefits and services for low-income families with children can count toward satisfying a state's MOE obligation.

New York's annual maintenance-of-effort (MOE) amount in the TANF program, given that TANF recipients have met work participation requirements over the last three years, is $1,718,578,445.[5] New York's MOE expenditures exceeded the total required amount by $32 million in FFY 1997 and $154 million in FFY 1999.

Accompanying data from federal financial reports indicate where MOE expenditures are being made.

- Overall, MOE expenditures went up over 31 percent from federal fiscal years 1997 to 1999. Most of this change, however, reflects that New York was not in the TANF program for a full year in 1997. The increase from federal fiscal year 1998 to federal fiscal year 1999 was nine percent, or, more than $154 million over the required amount by law.

- Similarly, cash and work based assistance increased 10.6 percent from 1998 to 1999.

- Child Care expenditures increased more than three and one-half times during this period, growing from $49 million in federal fiscal year 1997 to $182 million in federal fiscal year 1999.

- By contrast, systems expenditures decreased from federal fiscal year 1997 to 1999, by 72.5 percent, falling from $5.5 million to $1.5 million.

[5] In FFY 1997, New York's MOE was actually 81 percent of this figure, or $1,394,525,116, because New York's TANF program became effective in December of the federal fiscal year with 81 percent of the year remaining.

Maintenance of Effort Expenditures

(in thousands)

State Fiscal Years

	SFY 1998-1999	SFY 1999-2000	Proposed SFY 2000-2001
*Base Temporary Assistance Expenditures**			
Administration	$310,651	$320,059	$211,889
Programs			
Family Assistance	$966,400	$900,200	$939,200
Emergency Assistance to Families	$79,800	$79,800	$40,000
Child Welfare Emergency Assistance to Families	$240,000	$240,000	$120,000
Other	$139,791	$178,991	$182,977
Subtotal - Programmatic Expenditures	$1,425,991	$1,398,991	$1,282,177
Total - Base Expenditures	**$1,736,642**	**$1,719,050**	**$1,494,066**
Annual MOE Requirement	**$1,718,578**	**$1,718,578**	**$1,718,578**
Difference between MOE Requirement and Total Estimated Expenditures	**$18,064**	**$472**	**($224,512)**

*Base Temporary Assistance Expenditures shown for SFY 1998-99 are budget re-estimates based on actual experience. Expenditures shown for the following two years are are estimates used in the budget preparation process.

Source: State of New York, Executive Department: Division of the Budget, April 1999, January 2000.

While such actual expenditure data from New York is not available, state data on estimated MOE spending by state fiscal year shows similar trends. Expenditures for base temporary assistance have declined in state fiscal year 1999-2000 to $1.72 billion from $1.74 billion the previous year. The Executive Budget proposes an even greater decrease for 2000-2001 to $1.49 billion. While total family and emergency assistance expenditures have gone down, expenditures for "other" programs increased from almost $140 million in state fiscal year 1998-1999 to about $183 million in 2000-2001.

The 2000-2001 Executive Budget indicates also that the state will not meet its MOE requirement unless it makes some adjustment. Therefore, through what is being called a "share adjustment," the budget proposes to transfer $225 million of spending on family assistance from the TANF Block Grant to the MOE. In addition, the Executive Budget transfers responsibility for $120 million spending for family assistance to children in foster care from the TANF Block Grant to the MOE. On the other hand, MOE allocations for Child Welfare Emergency Assistance to Families (EAF) have been reduced by $120 million while total TANF Block Grant funds allocated for Child Welfare EAF are proposed to increase by $60 million.

Less than half of New York's TANF Block Grant is spent on cash assistance.

The combination of fixed funding and falling caseloads has given states a unique opportunity to implement new investments that help needy families move up the socio-economic ladder and to provide support to low-income working families. According to Richard Nathan, Director of the Rockefeller Institute on Government and a veteran observer of intergovernmental fiscal relations, the fixed block grant also creates a strong incentive for states to cut caseloads. In the past if the state reduced its income maintenance expenditures by $1 million it would lose $500,000 of federal funds. Under the new rules, the same reduction saves the state $500,000 without any loss of federal funds.

While actual expenditure data from New York is not available, the table on page 15 presents estimated state TANF expenditures using federal TANF funds. The base temporary assistance expenditure figures are budget re-estimates based on actual experience or proposals in 2000-2001 Executive Budget. For other TANF items, adopted budget allocations are available.

The next table summarizes the combined TANF Block Grant and State/Local MOE funding for what are known as "base" expenditures. "Base" expenditures include administration, cash assistance, emergency assistance and a number of "other" programs. While State/Local MOE expenditures have remained close to the "required" levels, TANF Block Grant funding for these "base" programs, particularly Family Assistance, has decreased significantly.

- TANF funding for the local administration base fell from $227 million in state fiscal year 1998-1999 to $120 million in state fiscal year 2000-2001, in response to federal concerns regarding appropriate allocation of the costs of intake and eligibility determination activities among public assistance programs.

- TANF Block Grant funding for family assistance fell from \$966 million in state fiscal year 1998-1999 to \$474 million in the proposed 2000-2001 Executive Budget. On the other hand, TANF Block Grant funding for child welfare emergency assistance has increased from \$100 million in 1998-1999 to \$220 million in the proposed 2000-2001 Executive Budget.

As indicated earlier, in New York as in the rest of the country, expenditures on cash assistance and emergency assistance to families have fallen dramatically and now make up less than half the expenditures from the federal block grant. Many states have taken advantage of this opportunity and are using TANF for a wide range of benefits and services, such as transportation, child care, housing assistance, substance abuse treatment and domestic violence services. On the other hand, despite strict "maintenance of effort" or MOE requirements written into the federal law, other states have used this so-called "welfare windfall" to provide fiscal relief — substituting federal funds for state and local funds without creating or expanding programs for needy families. The table on page 16 summarizes New York's allocation of this windfall.

Federal rules give New York new spending options.

Federal guidelines set forth allowable uses of TANF and MOE funds First, because the 1996 federal legislation replaced AFDC and related programs with the TANF Block Grant, states may use federal TANF funds for any activities that on September 30, 1995, or August 21, 1996 were funded through state plans based on these former programs. In addition, the law also spells out the following general uses of TANF funds:

1) to provide assistance so that children may be cared for in their own or their relatives' homes;
2) to promote job preparation, work and marriage towards ending recipients' dependency on government benefits;
3) to prevent and reduce out-of -wedlock pregnancies; and,
1) to promote and maintain two-parent families.

The first two aims are directed at needy families and parents where 'needy' is defined by level of income and resources as set out in New York's plan to use TANF funds. States may also transfer a portion of their federal TANF award to the Child Care and Development Fund (CCDF) or the Social Services Block Grant (SSBG, or, Title XX) but states may not transfer more than a combined 30 percent of their annual TANF funds to the two grants with a limit of 10 percent on the amount that can be transferred to the Social Services Block Grant. As of federal fiscal year 2001, states may not transfer more than 4.25 percent to Title XX. Any transfers must be completed during the grant year of each annual TANF award. For example, if the state decides to transfer any of its 1999-2000 TANF award to either or both block grants, it must do so by the end of the 1999-2000 federal fiscal year.

Estimated Base Temporary Assistance Expenditures in New York

Federal TANF and State Maintenance-of-Effort (MOE) Funds

(in thousands)

	SFY 1998-1999		SFY 1999-2000		Proposed SFY 2000-2001	
	TANF	MOE	TANF	MOE	TANF	MOE
Administration						
Local Administration - Base	$227,191	$227,191	$119,073	$235,799	$119,739	$119,739
State Operations	$45,000	$15,000	$55,000	$15,000	$55,000	$18,000
Local Employment Program Administration	$54,760	$54,760	$57,023	$54,760	$57,650	$57,650
Pride 2000			$1,000		$2,000	$2,000
Jobs Staff	$7,200		$9,500		$9,500	
DOL TANF Staff	$2,700		$2,700		$2,700	
Electronic Benefits Issuance	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Child Assistance Program-Administration	$3,700	$3,700	$4,500	$4,500	$4,500	$4,500
Subtotal - Administrative Expenditures	**$350,551**	**$310,651**	**$258,796**	**$320,059**	**$261,089**	**$211,889**
Programs						
Family Assistance	$966,400	$966,400	$714,600	$900,200	$474,200	$939,200
Family Assistance Commitments					$819,200	$819,200
Foster Care MOE					($120,000)	$120,000
Share Adjustment					($225,000)	
Predetermination Grant - Aid to Families with Dependent Children Shift		$0		$19,000		
Child Support Disregard		$26,300		$26,300		$21,945
Child Support Disregard Increase		$0		$20,000		$17,000
Emergency Assistance to Families	$79,800	$79,800	$40,000	$79,800	$40,000	$40,000
Child Welfare Emergency Assistance to Families	$100,000	$240,000	$160,000	$240,000	$220,000	$120,000
Child Welfare EAF Commitments					$100,000	$240,000
Foster Care MOE					$120,000	($120,000)
TANF Day Care		$78,297		$78,297		$104,000
Educational Development for Gainful Employment/Bridge	$22,053	$12,494	$22,053	$12,694	$22,053	$14,332
Job Placement and Retention Initiative	$3,700	$3,700	$3,700	$3,700	$3,700	$3,700
Rent Supplement Program/Assessment Centers	$9,000	$9,000	$12,000	$9,000	$12,000	$12,000
Refugee Resettlement	$1,500		$1,500		$1,500	
Tier II Debt Service on Family Shelters	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Food Assistance Program for Children	$8,091		$0			
Subtotal - Programmatic Expenditures	**$1,200,544**	**$1,425,991**	**$963,853**	**$1,398,991**	**$783,453**	**$1,282,177**
Total Base Expenditures (Administrative and Programmatic)	**$1,551,095**	**$1,736,642**	**$1,222,649**	**$1,719,050**	**$1,044,542**	**$1,494,066**
Annual TANF Grant and MOE Requirement	**$2,442,930**	**$1,718,578**	**$2,442,930**	**$1,718,578**	**$2,442,930**	**$1,718,578**
Difference between TANF Grant/MOE Requirement and Base Expenditures	$891,835	($18,064)	$1,220,281	($472)	$1,398,388	$224,512

* TANF expenditures for SFYs 1998-1999 and 1999-2000 and MOE figures for SFY 1998-1999 are budget re-estimates based on actual experience. The remainin TANF and MOE figures are estimates from the budget preparation process.

Source: State of New York, Executive Department: Division of the Budget, April 1999, January 2000.

Estimated Base Temporary Assistance Expenditures in New York

Federal TANF and State Maintenance-of-Effort (MOE) Funds

(in thousands)

	SFY 1998-1999		SFY 1999-2000		Proposed SFY 2000-2001	
	TANF	MOE	TANF	MOE	TANF	MOE
Administration						
Local Administration - Base	$227,191	$227,191	$119,073	$235,799	$119,739	$119,739
State Operations	$45,000	$15,000	$55,000	$15,000	$55,000	$18,000
Local Employment Program Administration	$54,760	$54,760	$57,023	$54,760	$57,650	$57,650
Pride 2000			$1,000		$2,000	$2,000
Jobs Staff	$7,200		$9,500		$9,500	
DOL TANF Staff	$2,700		$2,700		$2,700	
Electronic Benefits Issuance	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Child Assistance Program-Administration	$3,700	$3,700	$4,500	$4,500	$4,500	$4,500
Subtotal - Administrative Expenditures	**$350,551**	**$310,651**	**$258,796**	**$320,059**	**$261,089**	**$211,889**
Programs						
Family Assistance	$966,400	$966,400	$714,600	$900,200	$474,200	$939,200
Family Assistance Commitments					$819,200	$819,200
Foster Care MOE					($120,000)	$120,000
Share Adjustment					($225,000)	
Predetermination Grant - Aid to Families with Dependent Children Shift		$0		$19,000		
Child Support Disregard		$26,300		$26,300		$21,945
Child Support Disregard Increase		$0		$20,000		$17,000
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Foster Care MOE					$120,000	($120,000)
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Job Placement and Retention Initiative	$3,700	$3,700	$3,700	$3,700	$3,700	$3,700
Rent Supplement Program/Assessment Centers	$9,000	$9,000	$12,000	$9,000	$12,000	$12,000
Refugee Resettlement	$1,500		$1,500		$1,500	
Tier II Debt Service on Family Shelters	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Food Assistance Program for Children	$8,091		$0			
Subtotal - Programmatic Expenditures	**$1,200,544**	**$1,425,991**	**$963,853**	**$1,398,991**	**$783,453**	**$1,282,177**
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Annual TANF Grant and MOE Requirement	**$2,442,930**	**$1,718,578**	**$2,442,930**	**$1,718,578**	**$2,442,930**	**$1,718,578**
Difference between TANF Grant/MOE Requirement and Base Expenditures	$891,835	($18,064)	$1,220,281	($472)	$1,398,388	$224,512

* TANF expenditures for SFYs 1998-1999 and 1999-2000 and MOE figures for SFY 1998-1999 are budget re-estimates based on actual experience. The remaining TANF and MOE figures are estimates from the budget preparation process.

Source: State of New York, Executive Department: Division of the Budget, April 1999, January 2000.

In 1999 the federal government issued final regulations implementing the 1996 federal welfare reform act. One of the major accomplishments of the 1999 TANF regulations was to make it significantly easier for states to use both streams of money (TANF funds and MOE funds) to help low income working families. In this regard, the most significant provisions of the 1999 regulations were:

- Restriction of the definition of "assistance" to include only "cash, payments, vouchers and other forms of benefits designed to meet a family's ongoing basic needs," and exclude numerous supports for working poor families.
- Clarification as to the allowable uses of TANF Block Grant funds, particularly that allowable spending under TANF is not limited to the restrictive definition of "assistance" and therefore can include such activities as the refundable portion of the earned income tax credit, reimbursement of work-related expenses and other work supports.
- Grant of broad discretion to states to establish income standards to define "needy" including the ability to set different eligibility standards for different programs whether funded with TANF or MOE funds.
- Clarification of allowable MOE programs and a new two-part spending test.

The restriction of the definition of assistance was probably the single more important provision of the 1999 regulations. The new definition includes only traditional cash assistance grants, stipends and allowances for participation in education and training, needs-based payments to individuals in any work activity whose purpose is to supplement the money they receive for participating in the activity and supportive services such as transportation and child care provided to the non-employed. By not including most supports for *working* low-income families in the definition of assistance, the new regulations freed states to fund many of these activities from TANF funds for the first time. Prior to this states feared that any recipient of benefits funded from the TANF Block Grant might be subject to time limits on assistance and that these recipients would count as a part of the state's caseload for work participation requirements and other TANF requirements. States, therefore, did not want to support these activities with TANF funds. The new definition should make it easier also for states to fund partially- or fully-subsidized employment programs and it allows states to use TANF funds to provide short-term crisis or emergency help to families without having such aid count as assistance under the TANF rules.

The final regulations provide guidance to states regarding questions that arose about allowable activities in the implementation of the TANF program. For example, the regulations state that carryover funds may only be used to provide "assistance" and its attendant administrative costs and therefore a state may not transfer carryover funds from previous years to CCDF or Title XX. A variety of other programs, such as pregnancy prevention and GED preparation, which meet the goals of the legislation, but are not defined as "assistance" to families, cannot be TANF-funded outside of the grant year of the annual TANF award. Also, the regulations provide that a state may spend TANF funds on foster care or juvenile justice costs only if such costs were authorized in the state's Emergency Assistance plan on September 30, 1995 or at state option, August 21, 1996.

The new regulations give states broad discretion to define the income guidelines for program eligibility and allow states to establish different eligibility criteria for different programs. The ability to establish income guidelines is particularly important for MOE programs which are restricted by statute to programs that serve "needy" families but also applies to most TANF funded programs. (TANF funded programs to prevent and reduce the incidence of out-of-wedlock pregnancies and to encourage the formation and maintenance of two-parent families are not restricted to needy families.) States are also given the option to establish resource tests but are not required to take assets into account.

Finally, the new regulations offer greater flexibility for the use of MOE funds. First the regulations establish a new two part test for whether or not expenditures count toward the MOE. If expenditures in the program would have been authorized and allowable under the pre-TANF programs (AFDC, JOBS, Emergency Assistance, Child Care for AFDC Recipients, At-Risk Child Care, or Transitional Child Care Programs) then all otherwise countable expenditures can count in their entirety. If expenditures would not have been authorized pre-TANF they may count towards the MOE only to the extent that the state has expanded expenditures for eligible families to exceed total state expenditures in the program in federal fiscal year 1995.

While trying to encourage the states to implement new and expanded programs in support of low-income families, the federal rulemakers wanted to be fair to states which had already funded some of these initiatives. For example, cash assistance was redefined to include both traditional cash support for needy families and the refundable portion of state earned income tax credits. This was clearly an attempt to encourage states to adopt earned income tax credits or to expand their existing programs. New York, however, already had one of the most generous state level earned income tax credits in the nation. In the name of equity the rules allow New York to spend part of its TANF grant to fund its pre-existing state EITC. New York has taken advantage of this opportunity and the 2000-2001 Executive Budget proposes to fund $174 million of EITC costs in this manner.

New York has done the same thing in other program areas. By using the welfare windfall or TANF surplus to provide fiscal relief, New York is missing the opportunity to develop a set of comprehensive programs to support its growing population of low-income working families. The new regulations have clarified the rules in ways that allow states to spend both their TANF Block Grants and their maintenance of effort funds in support of creative and innovative programs to support low-income families[6]. Instead of providing new support for the working poor, New York is using the new regulations to generate greater fiscal relief.

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[6] For an excellent discussion of the MOE, *see* Mark Greenberg, "The TANF Maintenance of Effort Requirement," Center on Law and Social Policy, June 1999.

The portion of the state's TANF Block Grant going to fiscal relief is increasing.

The 2000-2001 Executive Budget projects fiscal relief of $591 million, up from $403 million in 1999-2000 and more than double the $233 million in 1998-1999. TANF funds have been used to fund fiscal relief in a variety of ways.

First, in state fiscal years 1997-1998 and 1998-1999 TANF funds were used to "refinance" state and local spending on cash assistance to families. Under AFDC, the state and local governments traditionally paid 25 percent each of such expenditures while the federal government paid 50 percent. In state fiscal years 1997-1998 and 1998-1999, the amount of that spending by the state and local governments *combined* with their other maintenance-of-effort expenditures under the TANF program exceeded the federally-required MOE amount. Federal TANF funds can be used to pay for or "refinance" state or local spending in excess of the required MOE amount. Of the proposed $400 million of TANF funds to be used for fiscal relief in his 1997-1998 Executive Budget, the Governor directed $260 million to be used in this way. The effect of this reimbursement was to increase the federal share of such expenditures from the traditional 50 to approximately 60 percent and to reduce state and local shares from 25 percent to approximately 20 percent each. The amount refinanced in the adopted budget was reduced to $204.4 million, but this still reduced state and local shares to approximately 21 percent each[7]. The majority of the money saved was used either to fund tax cuts or to replace other spending on a variety of governmental items.

The second mechanism used to provide fiscal relief is the transfer of funds from the TANF Block Grant to the Title XX Social Services Block Grant. In the past two fiscal years, New York has used 10 percent of its TANF Block Grant for this purpose, the maximum allowed under federal law. In the 2000-2001 proposed Executive Budget, the state would continue to transfer the maximum allowable $241 million to Title XX. TANF Block Grant funds transferred to the Title XX Block Grant, have been used to pay for activities that were previously covered by state and local general fund resources.

The allowable transfer to the Title XX Block Grant will be reduced to 4.25 percent as of federal fiscal year 2001 potentially taking away significant fiscal relief for New York State. In order to prepare for this rule change, the proposed 2000-2001 Executive Budget finds other services currently funded by the state, such as the Preventive Services program, that it can finance with TANF funds. In state fiscal year 1999-2000 the state allocated $113 million to such "other child welfare fiscal relief" and the budget proposes an increase to $161 million for this item. This represents spending for several small programs: the Office of Children and Family Services Juvenile Delinquents Program, the Local Juvenile Delinquents/Persons in Needs of Supervision Program, the New York City Foster Care Tuition Program and the Preventive Services Program.

[7] Another $44 million in refinancing was completed in fiscal year 1997-1998 but represented refinancing from state fiscal year 1996-97.

Fiscal Relief and Cost Containment

(in thousands)

	SFY 1997-1998	SFY 1998-1999	SFY 1999-2000	Proposed SFY 2000-2001
State Maintenance-of-Effort Fiscal Relief	**$248,400**	**$18,000**	**$0**	**$0**
Refinancing	$204,400	$18,000	$0	$0
Executive Budget Maintenance-of-effort (MOE) Refinance	$219,000	$150,000	$0	$0
MOE Refinancing Reestimate	($14,600)	($132,000)	$0	$0
SFY 1996-97 MOE Relief	$44,000	$0	$0	$0
Child Welfare Fiscal Relief	**$168,000**	**$215,000**	**$354,000**	**$402,000**
Transfers	$168,000	$215,000	$241,000	$241,000
Transfer to Title XX	$160,000	$207,000	$233,000	$233,000
Transfer to Title XX - Foster Care Rates Increase	$8,000	$8,000	$8,000	$8,000
Other Child Welfare Fiscal Relief	$0	$0	$113,000	$161,000
OCFS Juvenile Delinquents Program	$0	$0	$10,000	$15,000
Local Juvenile Delinquents/Persons in Need of Supervi	$0	$0	$60,000	$80,000
New York City Foster Care Tuition	$0	$0	$43,000	$36,000
Preventive Services	$0	$0	$0	$30,000
Other Fiscal Relief Initiatives	**$0**	**$0**	**$0**	**$15,100**
Home Visiting	$0	$0	$0	$5,600
Pregnancy Prevention	$0	$0	$0	$7,700
Program	$0	$0	$0	$1,800
Subtotal - Fiscal Relief	**$416,400**	**$233,000**	**$354,000**	**$417,100**
Earned Income Tax Credit Cost Containment	**$0**	**$0**	**$49,000**	**$174,000**
TOTAL	**$416,400**	**$233,000**	**$403,000**	**$591,100**

* The $18 million in 1998-1999 had not been liquidated as of January 2000. It will be reassigned to 1999-2000 instead.

Source: State of New York, Executive Department: Division of the Budget, April and November 1999, January 2000.

***** The $18 million in 1998-1999 had not been liquidated as of January 2000. It will be reassigned to 1999-2000 instead.
Source: State of New York, Executive Department: Division of the Budget, April and November 1999, January 2000.

The most significant new use of TANF funds for fiscal relief is the decision to use TANF funds to pay for the refundable portion of the state's Earned Income Tax Credit for low-income families. The allocation of TANF funds for this purpose has grown from $49 million in state fiscal year 1999-2000 to a proposed $174 million in State fiscal year 2000-2001. It is projected to grow to $317 million in 2002-2003. This is an example of the state's ability to take advantage of the new TANF regulations to maximize the fiscal relief it receives from the TANF Block Grant. By amending the eligibility criteria in the state's TANF plan for families to receive assistance through the tax credit, TANF funds may now be used to pay for the entire refundable portion of the state's EITC directed towards families with children. This is a program that was funded in the past from outside the public assistance revenue streams which will now be fully funded from the TANF Block Grant.

New York has allocated limited funds for innovative approaches to helping low-income families.

To the extent that New York uses its "welfare windfall" to provide fiscal relief to the state and local treasuries, the funds left to support new and innovative approaches to helping low-income families are extremely limited. Despite the continuing decline in public assistance caseloads, the 2000-2001 Executive Budget increases spending from 1999-2000 for these "other initiatives" by a mere $2 million.

- The 1997-1998 and 1998-1999 budgets made relatively small commitments to education and training. However, the New York Works Block Grant program was funded in the current fiscal year at $110 million while the 2000-2001 budget proposes an increase to $143.4 million. While the broad objective of the New York Works Block Grant is laudable, better reporting is needed of how these funds are actually being utilized and allocated. The legislature should require that local governments be required to use competitive bidding procedures appropriate to services contracts, similar to the process used by the state Department of Labor for the award of those TANF contracts for which it is directly responsible.

- Among a range of other programs administered by the Department of Labor, InVEST, which provides training to Family Assistance recipients, has been expanded to $25 million along with an increase in funding for apprenticeship development and placement through the Built on Pride program.

TANF Surplus Spending Allocations
Programmatic Initiatives
(in thousands)

	SFY 1997-1998	SFY 1998-1999	SFY 1999-2000	Proposed SFY 2000-2001
Child Care				
Child Care Assistance	$66,600	$76,600	$230,000	$230,000
Child Care Enforcement/Oversight	$0	$0	$0	$18,500
Child Care for Migrant Workers	$0	$0	$0	$2,500
Child Care Reserve Fund	$0	$0	$200,000	$0
Subtotal - Child Care	**$66,600**	**$76,600**	**$430,000**	**$251,000**
Employment*				
District-administered Programs (includes CASP**)	$47,500	$13,000	$112,000	$143,400
Department-administered Programs	$9,500	$0	$49,100	$40,600
Education	$15,500	$6,000	$9,000	$0
Transportation	$8,000	$5,000	$20,000	$25,000
Compliance with Federal Reporting Requirements	$0	$0	$1,000	$1,000
High Performance Bonus Spending***	$0	$0	$0	$8,000
Subtotal - Employment****	**$80,500**	**$24,000**	**$191,100**	**$218,000**
Health Care Reform Act Reserve	**$0**	**$0**	**$0**	**$50,000**
Transition/Local Administration				
Transition/Performance	$22,000	$0	$0	$0
Implementation Block Grant				$125,000
Merit Scholars	$500	$0	$1,000	block grant
Domestic Violence Screening	$5,000	$5,000	$8,000	block grant
Medical Exams	$3,000	$3,000	$3,000	block grant
Child Assistance Program Expansion	$1,500	$1,000	$1,000	block grant
Case Management/Alternative to Incarceration Pilot	$2,000	$0	$19,100	block grant
Drug Abuse Screening/Treatment	$18,000	$12,000	$18,000	block grant
Transitional Opportunities Program	$0	$0	$0	$3,000
Rape and Pregnancy Prevention	$8,000	$7,000	$10,000	$10,000
Learnfare	$1,000	$1,000	$4,000	$4,000
Food Pantries/Nutrition Assistance	$0	$0	$12,000	$12,000
Case Management for Homeless Families/Rent Subsidy Program	$0	$0	$1,500	$0
Subtotal - Transition/Local Administration	**$61,000**	**$29,000**	**$77,600**	**$154,000**
Advantage Schools	**$0**	**$0**	**$0**	**$10,000**
Preventive Services Initiative	**$0**	**$0**	**$10,000**	**$0**
Women, Infants and Children Program	**$3,000**	**$3,000**	**$3,000**	**$3,000**
Women, Infants and Children Program Expansion	**$0**	**$0**	**$2,000**	**$2,000**
Home Visiting Expansion	**$0**	**$0**	**$0**	**$2,400**
Child Support Disregard Toward MOE	**$0**	**$0**	**$0**	**$17,000**
Welfare Reform Evaluation	**$0**	**$300**	**$0**	**$500**
Welfare Management Systems Update	**$50,000**	**$10,000**	**$30,000**	**$50,000**
Welfare Reform Contingency Reserve Fund	**$104,000**	**$114,000**	**$330,000**	**$318,000**
Total	**$365,100**	**$256,900**	**$1,073,700**	**$1,075,900**

* See the next table for a complete breakdown of TANF-funded programs administered by the Department of Labor.

** CASP stands for Consolidated Application for State Administered Programs which distributes funds for various DOL programs that use TANF and state General Fund money.

*** New York received this bonus from the federal government for exceeding work participation requirements in federal fiscal year 1999.

**** This subtotal includes Workplace Accommodations, which is administered by the Department of Labor; tables from other sources may include this program under 'Transition/Local Administration'.

TANF Surplus Spending Allocations
Employment Inititatives
(in thousands)

	SFY 1997-1998	SFY 1998-1999	SFY 1999-2000	Proposed SFY 2000-2001
District-administered Programs (includes CASP*)				
Automotive Skills Training	$1,000	$0	$0	$0
Bridge Child Care Training and Placement	$1,000	$0	$0	$0
Bridge College to Work	$3,000	$0	$0	$0
CUNY Work Experience	$750	$0	$1,000	$0
New York Works Block Grant (Work Now)**	$39,000	$13,000	$110,000	$143,400
Workplace Accommodations***	$3,000	$0	$1,000	$0
Subtotal - District-administered Programs	**$47,750**	**$13,000**	**$112,000**	**$143,400**
Department-administered Programs				
InVEST	$3,250	$0	$25,000	$25,000
Built on Pride Apprenticeships	$400	$0	$5,000	$6,000
Displaced Homemakers Program	$600	$0	$600	$600
Empire State Development Agency Job Specific Tra	$2,000	$0	$2,000	$4,000
Employment Agency Initiative	$3,000	$0	$2,000	$3,000
Family Loan Program	$0	$0	$500	$0
Hospital Wage Subsidy Demonstration	$0	$0	$2,000	$2,000
Wage Subsidy Demonstration Program	$0	$0	$12,000	$0
Subtotal - Department-administered Programs	**$9,250**	**$0**	**$49,100**	**$40,600**
Education				
EDGE "Plus": Literacy and Work Preparedness	$8,000	*****	$0	$0
EDGE "Plus": English as a Second Language	$5,000	*****	$3,000	$0
EDGE "Plus": Local Interagency /VESID Employm	$2,500	*****	$6,000	$0
Subtotal - Education*****	**$15,500**	**$6,000**	**$9,000**	**$0**
Transportation	**$8,000**	**$5,000**	**$20,000**	**$25,000**
Compliance with Federal Reporting Requirements	**$0**	**$0**	**$1,000**	**$1,000**
High Performance Bonus Spending******	**$0**	**$0**	**$0**	**$8,000**
Total - Employment	**$80,500**	**$24,000**	**$191,100**	**$218,000**

* CASP stands for Consolidated Application for State Administered Programs which distributes funds for various DOL programs that use TANF funds and state General Fund money. See text and glossary for more information.

** The 1997-1998 figure includes the 1996-1997 ($10 million) and the 1997-1998 ($29 million) allocations for Work Now.

*** Some tables with similar data may place this program under 'Transition/Local Administration'. However, because it is administered by the Department of Labor, it is placed here under 'Employment'. Therefore, subtotals on tables from other sources with similar information may differ from these subtotals. This program is known also as Work Opportunities for Persons with Employment Barriers.

**** This program is known also as the Training Opportunities and Placement Program.

***** The $6 million allocation for 1998-1999 was added to local districts' base EDGE allocations for that year.

****** New York received this bonus from the federal government for exceeding work participation requirements in 1999.

Source: State of New York, Executive Department: Division of the Budget, April and November 1999, January 2000; Department of Labor, July and November 1999, January 2000.

- A wage subsidy demonstration program was allocated $12 million in the 1999-2000 adopted budget, but no funding was provided in the Executive Budget. Proposals under the 1999-2000 appropriation are due to the Department of Labor by February 28th. To the extent possible, information on the responses to this request for proposal should be taken into consideration in crafting an improved pilot program of publicly-funded transitional jobs for the hard-to-employ in the 2000-2001 adopted budget.

- Assistance for transportation to work and child care sites has increased from $8 million in state fiscal year 1997-1998 to a proposed $25 million in state fiscal year 2000-2001. The major human services organizations working on this issue have recommended an appropriation of $35 million with $5 million set aside for wheels-to-work programs such as Burlington, Vermont's highly successful Good News garage.

- Child care assistance had been limited until state fiscal year 1999-2000 when transfers to child care block grants and establishment of a reserve fund increased by sixfold. Additional investments in this area are obviously necessary if welfare reform is to be truly successful. (See the discussion in the recommendations section of this report.)

- Executive Budget allocations in 2000-2001 for local administration of supportive services including case management have been doubled and moved into a block grant. This is an effort to encourage localities to strategically plan and implement an innovative array of services.

- To prepare for the possibility of a downturn in the economy, the state allocated $104 million, $114 million and $330 million, in the last three fiscal years, respectively, to a so-called Contingency Reserve Fund. These monies remain in the state's account in Washington as part of the state's unobligated balances. While the original intent of Congress was to allow states to build up substantial balances for a "rainy day" without fear of losing those funds, there have been several attempts in recent years by members of Congress to take, or reallocate, or to attach strings to those unobligated balances. Before adding to this reserve fund, the Governor and members of the Legislature should ask the members of the state's Congressional delegation for their assistance in reaffirming the Congress's intent in 1996.

New York should take advantage of the TANF surplus to renew its commitment to fight poverty and lift poor families towards independence.

The current TANF surpluses provide New York State with a once-in-a-lifetime opportunity to fight poverty and lift poor families towards independence and self-support. This includes liberalizing the earned income disregard, providing a long overdue grant increase as well as initiatives that provide innovative and broad-ranging efforts to reach hard-to-serve parents and children, including those without any history of paid work experience and those who are struggling with chemical dependency, mental illness, and histories of incarceration, domestic violence, illiteracy and other barriers to economic success. New York is more likely to continue to meet work participation rates if it invests in activities such as child care, increased earned income disregards and job training that have proven successful in helping people to move from welfare to work. New York should also be careful not to reduce its spending below the required maintenance-of-effort level, in either direct or indirect ways. While New York has made some investments in needed services like child care, much of our TANF surplus spending has funded dead-end workfare slots and replaced other government spending. We need to do better in the next two years.

Employment and Training Initiatives

In the 1997 state welfare reform law, the legislature gave counties broad discretion in determining how to meet "work activities" requirements. New York City and some other localities around the state have used this discretion to move all unemployed welfare recipients into workfare assignments. As job training and employment services providers work with the hardest-to-serve populations in welfare reform - ex-offenders, substance abusers, battered women, the mentally ill and disabled, those lacking GADS and high-school degrees - it has become clear that workfare assignments alone will not provide real economic opportunity for individuals or successful welfare reform for our state. High-quality community-based job training and employment services providers can put unemployed welfare recipients in better jobs faster and with better job-retention results than workfare programs alone can accomplish.

As the number of people receiving welfare declines, those individuals who remain on the welfare rolls are individuals who face great barriers to successful employment, including a lack of skills, education and adequate work experience. Research shows that closely-supervised community service jobs increase both the chances that such individuals have of obtaining unsubsidized employment and their earnings potential. The establishment of such community service jobs also protects existing low-wage workers against potential displacement. Finally, residents of the areas served benefit from the improvements and services that workers in these jobs provide.

Programs that are linked to real jobs, whether in the private, nonprofit or public sector, should be encouraged. Recent federal guidelines have made it clear that New York can use TANF and MOE funds to help poor and working families with a range of services and benefits in addition to regular welfare payments. New York can provide direct employment and support help with TANF funds through housing subsidies, wage subsidies, work expense allowances or Individual Development Accounts. New York can pay the education and training costs for TANF or low-income working families, it can pay participation stipends, or it can make incentive payments to employers to encourage on-the-job training or to ensure release time for participation in training. Few of these efforts have been tried in our state, and most of those have been outside of New York City.

The Empire State Jobs Program would establish a five-year pilot project that would use TANF and MOE funds to create temporary wage-paying jobs that would give people the work experience and workplace skills necessary to compete in today's labor markets. In the first two years of the program, the Empire State Jobs Program would employ 4,000 people statewide in 18-month transitional jobs in government agencies and non-profit organizations. The jobs would provide on-the-job training and give workers time off for education and training. Participants would earn a real wage of around $7 per hour, allowing them to receive up to $3,600 in income from the Earned Income Tax Credit. The final 1999 TANF regulations which took effect October 1, 1999 clarify that such payments to employers would not constitute "assistance" and therefore participants in the Empire State Jobs program would not be subject to time limits, child support regulations nor federal reporting requirements.

New York State has a long and successful tradition of creating transitional employment programs to meet pressing public needs. This tradition includes depression era programs such as the Temporary Emergency Relief Act, the Work Relief Employment Program of the 1970s and the Civilian Conservation Corps of the 1980s. Welfare reform has sparked a new interest in transitional job creation and new programs are already operating in Detroit, Philadelphia, Washington, Vermont, Baltimore and San Francisco. Last year, Pennsylvania Governor Tom Ridge greatly expanded his state's program of working-for-wages transitional jobs for welfare recipients.

Another effort along these lines has been put forth by The New York City Employment and Training Coalition (NYCETC) which is recommending that $15 million of the TANF surplus be appropriated to test alternative employment and training models with high performance standards

that might better serve welfare beneficiaries who need jobs. NYCETC has recommended that TANF funds be appropriated to the NYS Department of Labor for demonstration projects that could then be evaluated against the current "workfare-only" models that is used in some social services districts. These evaluations could then be used by the state and by individual social services districts in making future policy and funding decisions.

New York has not used TANF funds for economic development or capital construction purposes. While a yearly government appropriation like TANF funds cannot be used for real estate purchases or permanent improvements to facilities, North Carolina has contracted with a federally-chartered Community Development Financial Institution (CFI) to create a revolving loan fund for child care facilities improvement using TANF surplus dollars. New York could consider using TANF funds to create CFI-based revolving loan funds for providers of employment and training, supportive housing, child care or other poverty-fighting services.

New York should also consider creating a pool of "social venture capital" with TANF funds that would allow poverty-fighting organizations to fund entrepreneurial enterprises side-by-side with job training and placement and supportive housing programs. Again, the link to real jobs is crucial, and TANF funding of jobs, training and services for families might free organizational funds for use on single adults, people with disabilities and others not eligible for TANF-funded services.

It should be noted that experimental programs might stand a better chance of getting off the ground and showing results if they were administered from state agencies (NYSDOL or NYS OTDA) straight to local groups, rather than through local social service districts. Many local districts, particularly NYCHRA, have been locked into the workfare-only model of welfare reform and have spent their TANF dollars in uncreative, wasteful or unproductive ways. There is a strong need for a state-level initiative to fund alternative models of welfare reform that will reach harder-to-serve populations through new and different methods and approaches.

<u>Affordable Quality Child Care as a Support For Working Parents</u>

Adequate child care availability is important to the ultimate success of welfare reform. Furthermore, in its guide for funding services with TANF money, the federal government states that child care is important to meeting the aims of the TANF program and most states are unable to meet their child care needs with their available CCDF funds. Therefore, the opportunity to transfer TANF funds to CCDF, or to spend TANF funds on expanding child care is significant. While New York has spent a substantial portion of the TANF surplus on child care, there is still a tremendous unmet need for child care among low-income working families in our state.

More than 223,000 children in New York who would be eligible for subsidies under federal guidelines and whose families would use a subsidy still can't get one. And the cost to these families is high — child care costs are higher than public university tuition in every part of the state. While parents who are participating in workfare programs have a legal right to child care aid, help is not available for all low-income parents and those moving from welfare to work. Transitional child care aid ends one year after exit from the welfare roles, and parents are often forced to go back to the end of the line to wait for scarce subsidy vouchers.

New York could take steps to reform our child care system to make subsidies available to all parents who meet income requirements. We could expand eligibility for subsidies; eleven states have eligibility standards significantly higher than ours, including California, Texas, North Carolina and Connecticut. And we could take steps to support the salaries of low-paid child care workers, who are often a step away from public assistance.

The Child Care that Works Campaign is a coalition of children's advocates, unions, child care providers and parents who are working to improve New York's child care system. Child Care that Works has fought successfully for increases in funding for subsidies and quality in the last several years, and has a specific recommendation for TANF funding for child care that would bring subsidies to more families and support quality child care and reduce job turnover by investing in training and wage increases for child care workers.

A review of census data and statistics on the utilization of subsidies for child care by the Child Care that Works Campaign suggests that a total of 223,434 children under 275 percent of the federal poverty line remain unserved in our state, even after last year's historic increase in funding. Average per-child subsidy costs have run about $4225 per year; the $66.5 million for child care subsidies in the state fiscal year 2000-2001 Executive Budget would cover only about 15,700 more children this year. The Campaign recommends that New York invest an additional $123 million in TANF surplus funds to cover a total of 44,000 more children this year.

Recent studies have shown that a significant proportion of child care and early education programs across the country fail to provide developmentally appropriate activities, and in the most egregious cases, fail to maintain basic safety standards. One of the single most important factors in determining the quality of child care programs is the presence of qualified professionals. Yet the ability to recruit and retain qualified professionals to programs has reached crisis proportions in New York State.

Child care workers are consistently ranked at the bottom for "worst income" among all professions. A recent report of the U.S. Department of Labor found child care workers were ranked 249th out of 250 professions, with an average annual income of $14,250. In light of their tremendous responsibility, child care workers are shockingly underpaid.

Low salaries have negative effects on the quality of child care. They make it almost impossible to recruit individuals with the knowledge and skill necessary to provide a healthy learning environment to children; they make it difficult to retain workers who are qualified and who have been trained only to leave the field, fueling high turnover rates estimated to exceed 30 percent annually.

In order to support themselves, many child care workers are forced to hold second jobs, live with their parents, rely on a second income, or forgo health insurance and medical care.

The Campaign recommends an investment of $73 million to increase compensation for child care workers. Public funding for professional development and credentialing should be linked to wage supplements for child care workers who remain in the workforce, and for those who pursue further training and education. Recruitment and retention grants must be available to all teaching, support staff and supervisory staff of NYS licensed and registered child care programs. It should be linked to work experience and/or level of education, available on a semiannual basis to encourage worker retention, and linked to an incremental step system determined by years of experience and credentials.

<u>Homeless Services Funding to Support Family Independence</u>

Sadly, New York has seen a rise in homelessness in recent years, as the combination of welfare reform and high housing costs have hit our state's most vulnerable families hard. Homeless housing and service providers around the state have struggled to cope with increased needs for housing and services, particularly among parents with young children, among youth, and among noncustodial parents. While TANF funds cannot be used to build housing, they can be spent on supportive and preventive programs for these populations, to encourage them to return to independence and self-support. Homeless housing and services providers have already begun to integrate job training, case management, education and health care services into their emergency shelter and housing placement efforts. An investment of TANF funding in these programs could help families get housed faster and remain housed longer, by helping to provide a stronger foundation for economic independence.

Specifically, a pilot investment of $10,000,000 of TANF surplus funds would allow homeless housing and service providers to support a substantial number of parents and children by linking housing, supportive services and job training and work programs to keep families together, reunify parents and children, and help noncustodial parents meet their child support responsibilities. TANF funds could be appropriated to the NYS Office of Temporary and Disability Assistance, Bureau of Housing and Services, which has worked effectively with homeless housing and service providers around the state.

<u>Improved TANF and MOE Expenditure Reporting</u>

The New York State Division of the Budget does a good job of making information available on the uses of the TANF Block Grant proposed by the Governor in his Executive Budget. These lists then serve as the basis for Senate and Assembly review and revision, and for the discussions of the allocation of the TANF surplus by the Budget Conference Subcommittee on Human Resources. To fully inform the policymaking process and the public, however, the state agencies responsible for the implementation of welfare reform in New York State should report quarterly on the obligations and disbursements that have been made against the programmatic allocations of the TANF Block Grant and of MOE funds that were included in the adopted budget. This could be done most usefully by building upon the reporting requirements established by the federal government. The goal of this reporting should be to provide state legislators and the public with useful and timely information on the utilization of the federal, state and local resources allocated to meet the requirements of the federal welfare reform law.

1. At the same time that the state makes quarterly reports to the federal government on its TANF and MOE expenditures, this same information, broken down into the program categories used in the

state budget process, should be reported to the legislature and made public.

2. The states provide quarterly reports on their MOE expenditures to the federal government. Since New York State's MOE expenditures are made partially by the state and partially by the local social services districts, a supplementary report should be made available to state legislators and the public showing the state-local breakdown of New York's MOE expenditures.

3. The relevant state agencies should also produce a supplementary report for state legislators and the public that presents a breakdown, by spending category, of the state's unliquidated obligations.

4. The new federal TANF regulations require all quarterly financial reports to be filed electronically. These electronic reports should be promptly posted by the relevant New York agencies on their Internet sites.